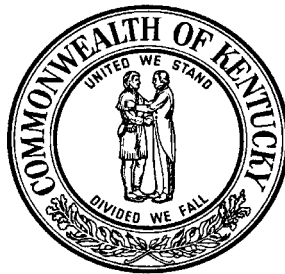


**REPORT OF THE AUDIT OF THE
FORMER MCCREARY COUNTY
SHERIFF**

**For The Period January 1, 2002
Through January 5, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Blaine Phillips, McCreary County Judge/Executive
Honorable Regal Bruner, Former McCreary County Sheriff
Honorable Clarence L. Perry, McCreary County Sheriff
Members of the McCreary County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the former Sheriff of McCreary County, Kentucky, for the period January 1, 2002 through January 5, 2003.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the former McCreary County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER MCCREARY COUNTY SHERIFF

**For The Year Ended
December 31, 2002**

Carpenter, Mountjoy & Bressler, PSC has completed the former McCreary County Sheriff's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$7,242 from the prior calendar year, resulting in excess fees of \$8,074 as of December 31, 2002. Revenues increased by \$15,536 from the prior year and disbursements increased by \$8,294.

Report Comments:

- The Former Sheriff Did Not Make Final Settlement With The Fiscal Court In A Timely Manner
- The Former Sheriff Did Not Publish Financial Statement In A Timely Manner

Deposits:

The Former Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

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Honorable Clarence L. Perry, McCreary County Sheriff

Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of McCreary County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the former County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Sheriff for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.

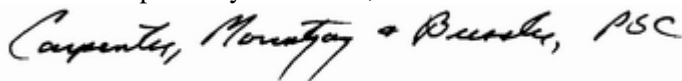
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Members of the McCreary County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Did Not Make Final Settlement With The Fiscal Court In A Timely Manner
- The Former Sheriff Did Not Publish Financial Statement In A Timely Manner

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in dark ink and is positioned above the printed name of the firm.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
December 5, 2003

MCCREARY COUNTY
 REGAL BRUNER, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

Federal Grants		\$	86,422	
State Grants			4,559	
State - Kentucky Law Enforcement Foundation Program Fund			10,092	
State Fees For Services:				
Finance and Administration Cabinet			74,865	
Circuit Court Clerk:				
Sheriff Security Service	\$	3,704		
Fines and Fees Collected		2,594		
Court Ordered Payments		<u>8,441</u>	14,739	
Fiscal Court			10,380	
County Clerk - Delinquent Taxes			3,359	
Commission On Taxes Collected			79,885	
Fees Collected For Services:				
Auto Inspections	\$	8,284		
Accident and Police Reports		467		
Serving Papers		8,212		
Carrying Concealed Deadly Weapon Permits		<u>4,175</u>	21,138	
Other:				
Sheriff's 10% Fee	\$	19,424		
Sheriff's Advertising Fee		2,220		
KSP Task Force		1,628		
Miscellaneous		1,948		
Reimbursements		23,174		
Prisoner Transport		1,036		
HIDTA		<u>2,433</u>	51,863	
Interest Earned			879	
Borrowed Money:				
State Advancement	\$	30,000		
Bank Note		<u>5,000</u>	<u>35,000</u>	
Total Receipts			\$	<u>393,181</u>

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
 REGAL BRUNER, FORMER COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	177,028
KLEFPF Salaries		10,092
Other Salaries		16,362

Employee Benefits-

Employer's Share Social Security		19,192
Employer's Share Retirement		14,595
Employer Paid Health Insurance		15,729

Contracted Services-

Advertising		731
Bookkeeping		1,300
Transporting Prisoners		181

Materials and Supplies-

Office Materials and Supplies		2,493
Local Government Projects Grant		4,559

Auto Expense-

Gasoline		15,606
Maintenance and Repairs		119

Other Charges-

Postage		1,160
Dues		600
Carrying Concealed Deadly Weapon Permits		4,205
Miscellaneous		1,286

Capital Outlay-

Office Equipment	<u>1,935</u>	\$	287,173
------------------	--------------	----	---------

Debt Service:

State Advancement	\$	30,000	
Notes		5,000	
Interest		<u>607</u>	<u>35,607</u>

Total Disbursements

\$ 322,780

Net Receipts

\$ 70,401

Less: Statutory Maximum

62,327

Excess Fees Due County for 2002

\$ 8,074

Payments to County Treasurer - December 22, 2003

8,074

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Control Account

A drug control account was opened in April 29, 1994 with forfeited drug money. This account is restricted and may be used only for drug control. The balance as of January 1, 2002 was \$146. The account earned interest of \$5 during the calendar year 2002 for total receipts of \$508. No funds were expended from this account. The unexpended balance of the account was \$654 at January 5, 2003. These funds are not available as excess fees.

Note 5. Federal Asset Forfeiture

In calendar year 2002, the former Sheriff received Federal "Equitably Shared Assets Forfeiture Fund" of \$32,256. The grant agreement states that "priority should be given to supporting community policing activities, training and law enforcement operations calculated to result in further seizures and forfeitures." The unexpended balance from calendar year 2001 was \$37,308. The account earned interest of \$500 for total receipts of \$32,756. The former Sheriff expended \$67,020 in calendar year 2002 leaving a balance of \$3,044 at January 5, 2003, which is not available as excess fees.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 6: Cops In Schools Grant

In 1999 the office of the former Sheriff was awarded a grant under the Office of Justice Programs in the amount of \$344,170 to be expended over three years. At the end of calendar year 2001 there was a balance of \$647 in this account. During the calendar year 2002, the former Sheriff received funds totaling \$99,026 plus earned interest of \$62. The former Sheriff expended \$99,735 in calendar year 2002 expending the entire balance of the account.

Note 7. McCreary County Sheriff Department Project Grant

The office of the former Sheriff was awarded a Local Government Projects grant under House Bill 502 on October 4, 2000. The grant was to be used to purchase new law enforcement equipment. The unexpended balance from calendar year 2001 was \$4,521. The account earned interest of \$38 during calendar year 2002 and funds totaling \$4,559 were expended. Leaving a zero balance as of January 5, 2003.

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COMMENTS AND RECOMMENDATIONS

MCCREARY COUNTY
REGAL BRUNER, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

1. The Former Sheriff Did Not Make Final Settlement With The Fiscal Court In A Timely Manner

KRS 64.830 requires outgoing county officials to make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term.... During the course of our audit we noted that the outgoing official did not make final settlement by March 15.

Former County Sheriff's Response:

I was waiting for my final audit.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

1. The Former Sheriff Should Have Presented His Annual Financial Settlement To The Fiscal Court And Settle Excess Fees By March 15 Of The Following Year

See Finding 1 above.

2. The Former Sheriff Should Have Published His Annual Financial Statement Within 60 Days After The End Of The Calendar Year

Corrected.

3. Salaries Should Have Been Approved By The Fiscal Court

Corrected.

MCCREARY COUNTY
REGAL BRUNER, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period January 1, 2002 Through January 5, 2003
(Continued)

PRIOR YEAR: (Continued)

4. The Former Sheriff Should Have Complied With The Uniform System Of Accounts

Corrected.

5. Lacks Adequate Segregation Of Duties

Auditor found finding to be uncorrected. However, since the prior year audit was completed after the end of the sheriff's term he was unable to correct this situation. Therefore, the finding was not repeated as a reportable condition.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants and Consultants

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the former McCreary County Sheriff for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated December 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former McCreary County Sheriff's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Former Sheriff Did Not Make Final Settlement With The Fiscal Court In A Timely Manner
- The Former Sheriff Did Not Publish Financial Statement In A Timely Manner

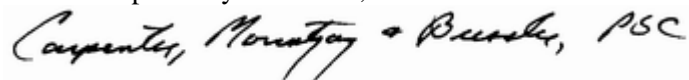
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former McCreary County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
December 5, 2003

